

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
)	
vs.)	
)	
North Shore Gas Company)	
The Peoples Gas Light and Coke Company)	
)	
Reconciliation of Revenues Collected)	
under Riders EOA with the actual costs)	
associated with energy efficiency and)	
on-bill financing programs)	

DIRECT TESTIMONY
OF
EDWARD M. KORENCHAN

- 1 Q. Please state your name and business address.
- 2 A. Edward M. Korenchan, 200 East Randolph Street, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. I am employed by Integrys Business Support, LLC ("IBS"), a centralized
- 5 service company for Integrys Energy Group, Inc.
- 6 Q. What position do you hold with IBS?
- 7 A. I am the Supervisor, Gas Regulatory Services.
- 8 Q. What are your responsibilities in that position?
- 9 A. I am responsible for coordinating and conducting activities related to rate
- 10 and tariff administration as well as rate research, and for supporting the
- 11 development of rate policies for Respondents, North Shore Gas Company

12 (“North Shore”) and The Peoples Gas Light and Coke Company (“Peoples Gas”),
13 affiliate companies of IBS.

14 Q. Please summarize your educational background and experience.

15 A. I graduated from the University of Illinois at Chicago in 1986 with a
16 Bachelor of Science Degree in Accounting. I began my employment at Peoples
17 Gas in March 1986 in the General Accounting Department. Since then, I have
18 been employed in various positions and levels of responsibility within State
19 Regulatory Affairs, Marketing Research and Gas Regulatory Services. I have
20 been in my present position since May, 2011.

21 Q. Have you testified before the Illinois Commerce Commission
22 (“Commission”) or any other regulatory commission previously?

23 A. Yes. I have testified in the following proceedings before the Commission
24 on behalf of North Shore and Peoples Gas:

25 Docket Nos. 09-0436/09-0437 (cons.), Reconciliation of the first program
26 year for Rider EEP (Enhanced Efficiency Program).

27 Docket Nos. 10-0565/10-0566 (cons.), Reconciliation of the second
28 program year for Rider EEP.

29 Docket No. 10-0564, Petition Pursuant to Section 8-104 of the Public
30 Utilities Act to Submit an Energy Efficiency Plan.

31 Docket Nos. 11-0663/11-0664 (cons.), Reconciliation of the third program
32 year for Rider EEP.

33 Docket No. 12-0602, Reconciliation of the first program year for Rider
34 EOA.

Docket No. 13-0550, Petition Pursuant to Section 8-104 of the Public Utilities Act to Submit an Energy Efficiency Plan.

Lastly, I am currently a witness in Docket No. 13-0611, Reconciliation of the second program year for Rider EOA.

Q. Please give a brief description of the operations and status of North Shore.

A. I am advised by counsel that North Shore is a corporation organized and existing under the laws of the State of Illinois, having its principal office at 200 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of purchasing natural gas for and distributing and selling natural gas to approximately 159,000 customers in Cook and Lake Counties, Illinois. I am advised by counsel that North Shore is a public utility within the meaning of the Public Utilities Act.

Q. Please give a brief description of the operations and status of Peoples Gas.

A. I am advised by counsel that Peoples Gas is a corporation organized and existing under the laws of the State of Illinois, having its principal office at 200 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of purchasing natural gas for and distributing and selling natural gas to approximately 831,000 customers in the City of Chicago. I am advised by counsel that Peoples Gas is a public utility within the meaning of the Public Utilities Act.

Q. Please describe the subject matter of this proceeding.

A. North Shore's and Peoples Gas' Schedule of Rates for Gas Service each includes Rider EOA, Energy Efficiency and On-Bill Financing Adjustment. The Commission approved Rider EOA in Docket No. 10-0564. Rider EOA became effective June 20, 2011. Each year, Rider EOA calls for North Shore and Peoples Gas to file charges (called the "Effective Component") with the Commission. The Rider EOA Effective Component is a per-therm charge to recover the costs of the energy efficiency program and the On-Bill Financing ("OBF") program. The portions of the Effective Component associated with energy efficiency and OBF are based on the budgets included in the 3-year plan filed with the Commission in Docket No. 10-0564. Rider EOA is applicable to all Service Classifications ("S.C."); however, for energy efficiency, certain large customers have been identified as "exempt" or "self-directing" by the Department of Commerce and Economic Development ("DCEO") per criteria set forth in Section 8-104(m) of the Public Utilities Act. Such customers are not subject to Rider EOA and do not participate in North Shore's energy efficiency programs or the OBF program, which is directed to residential customers. For North Shore, there is a separate Effective Component for:

- S.C. No. 1, which includes amounts for Residential Energy Efficiency and OBF programs;
- S.C. No. 2, which includes amounts for Residential Energy Efficiency, Commercial and Industrial Energy Efficiency, and OBF programs; and

- Combined S.C. Nos. 4, 5 and 7 (currently there are no customers under S.C. Nos. 5 or 7), which includes amounts for Commercial and Industrial Energy Efficiency programs.

For Peoples Gas, there is a separate Effective Component for:

- S.C. No. 1, which includes amounts for Residential Energy Efficiency and OBF programs;
- S.C. No. 2, which includes amounts for Residential Energy Efficiency, Commercial and Industrial Energy Efficiency, and OBF programs; and
- Combined S.C. Nos. 4, 5, 7 and 8, which includes amounts for Commercial and Industrial Energy Efficiency programs.

Sections E of Riders EOA require North Shore and Peoples Gas, beginning in 2012, to file annually no later than August 31 a reconciliation of amounts billed in the Previous Program Year to the actual costs, as well as Reconciliation Adjustments (“RA”) for any amounts over or under collected from customers per the reconciliation. Such Reconciliation Adjustments would apply to the nine-month reconciliation amortization period beginning September 1. This reconciliation also includes a reconciliation of amounts collected or refunded through the previous year’s RA.

Sections E of Riders EOA also requires that the Commission initiate an annual review. On the later of August 31 or the date set forth in the Commission’s order initiating a review, North Shore and Peoples Gas must file testimony addressing its reconciliation statement and the prudence and reasonableness of costs incurred and recovered under Rider EOA during the

101 Program Year that is the subject of the reconciliation statement. My testimony
 102 addresses the reconciliation statement. Testimony of North Shore and Peoples
 103 Gas witness Mr. Paul Isaac (NS-PGL Ex. 2.0) addresses the energy efficiency
 104 plan, programs implemented in the third program year, reasonableness and
 105 prudence of costs incurred, and costs incurred under the OBF program.

106 Q. Please describe the period that will be reconciled.

107 A. Rider EOA requires a reconciliation of revenues for each Program Period,
 108 which is the twelve-month period beginning June 1. Accordingly, the
 109 reconciliation period, which is the subject of my testimony, is for the Program
 110 Period June 1, 2013, through May 31, 2014.

111 Q. Has Peoples Gas and North Shore published public notice as required in
 112 the Order in Docket No. 12-0602?

113 A. Yes. Public notice was published timely in the Chicago Tribune and Lake
 114 County News-Sun.

115 **North Shore Gas Company Reconciliation Statement**

116 Q. Please describe NS-PGL Ex. 1.1N.

117 A. NS-PGL Ex. 1.1N is a statement of the RA components that will apply for
 118 each month of the nine-month reconciliation amortization period beginning
 119 September 1, 2014 and ending May 31, 2015 ("Statement") for S.C. Nos. 1
 120 through 7.

121 Q. Was the Statement prepared under your supervision and direction?

122 A. Yes, it was.

123 Q. What is the purpose of the Statement?

124 A. The Statement shows the applicable RA for customers served under North
 125 Shore's S.C. Nos. 1, 2 and combined 4, 5 and 7 who are not classified as exempt
 126 or self-directing, for the North Shore and DCEO programs. It also shows the
 127 derivation of each RA component and provides supporting data.

128 Q. Why is the DCEO program relevant to your testimony?

129 A. Rider EOA is the funding mechanism for both North Shore's and DCEO's
 130 energy efficiency programs. Under the law, DCEO, subject to meeting certain
 131 requirements, is entitled to a portion of the available funding under Rider EOA.
 132 DCEO plays no role in the OBF program.

133 Q. Please describe the elements of the Statement.

134 A. In general, the Statement includes the following information:

- 135 • Page 1 shows the RA that will be billed over the nine-month reconciliation
 136 amortization period beginning September 1, 2014 for each Service
 137 Classification. The RA represents per-therm charges or refunds.
- 138 • Pages 2 through 4 show the determination of the RA as described under
 139 Section D(2) of Rider EOA for S.C. Nos. 1 and 2 for residential programs,
 140 and combined S.C. Nos. 2, 4, 5 and 7 for commercial and industrial
 141 programs. Column [B] for each page represents North Shore calculations,
 142 Column [C] represents DCEO calculations, and Column [D] represents
 143 calculations combining North Shore and DCEO.
- 144 • Page 2 shows the determination of the RA for S.C. No. 1
 145 Lines 2 through 13 represent the calculation of the Total
 146 Reconciliation Dollar amounts, including Interest, for Residential Energy

Efficiency. This amount, shown on Line 13, is the result of deducting EOA Revenues (EREV) from EOA Expenses (EEXP), adding the RA amount for the previous program year RA to be recovered or refunded (ERA2), adding the applicable Interest, and adding the Factor O adjustment per the Order in Docket No. 12-0602. For calendar year 2014, the applicable interest rate established by the Commission is 0.0% pursuant to the order in Docket No. 13-0695. Line 14 represents the dollars-per-therm RA. It is derived by dividing the Total Reconciliation Dollar amount on Line 13 by the Total Therm Deliveries forecasted for the nine-month reconciliation amortization period (Line 3) that the RA will be in effect. An RA must calculate to \$0.0001 per therm or more for North Shore to include it on customer bills.

Lines 16 through 27 represent the calculation of the Total Reconciliation Dollar amounts, including Interest, for the portion of Rider EOA attributable to OBF. This amount, shown on Line 27, is the result of deducting EOA Revenues related to OBF (OREV) from EOA Expenses related to OBF (OEXP), adding the RA related to OBF to be recovered or refunded for the previous program year RA (ORA2), adding the applicable Interest, and adding the Factor O adjustment per the Order in Docket No. 12-0602. Line 28 represents the dollars-per-therm RA. It is derived by dividing the Total Reconciliation Dollar amount on Line 27 by the Total Therm Deliveries forecasted for the nine-month reconciliation amortization period (Line 17) that the RA will be in effect.

170 Similar calculations are performed for S.C. No. 2 Residential
 171 Energy Efficiency and OBF on Page 3, and Commercial and Industrial
 172 Energy Efficiency on Page 4.

- 173 • Page 5 shows the North Shore program aggregation of monthly EOA
 174 Expenses (EEXP and OEXP), Revenues (EREV and OREV) and previous
 175 program year Reconciliation Adjustment (ERA1 and ORA1) amounts
 176 recovered or refunded. EEXP and OEXP represent the actual amount of
 177 expenses incurred by North Shore during the previous Program Period for
 178 energy efficiency and OBF. EREV represents 75% of billed revenues
 179 arising from application of the Effective Component during the previous
 180 Program Period for energy efficiency that are applicable to North Shore as
 181 allowed under the Rider. OREV represents billed revenues for OBF. The
 182 Reconciliation Adjustment ERA1 and ORA1 amounts represent the
 183 amounts collected or refunded during the previous reconciliation
 184 amortization period arising from the application of the RA from the
 185 Previous Program Period for energy efficiency and OBF. The totals for
 186 Expenses, Revenues, and RA amounts for each applicable service
 187 classification are shown on Line 15 for Residential Energy Efficiency, Line
 188 31 for Commercial and Industrial Energy Efficiency, and Line 47 for OBF.
- 189 • Page 6 shows the DCEO program aggregation of monthly EOA Expenses
 190 (EEXP), Revenues (EREV) and previous program year Reconciliation
 191 Adjustment (RA1) Amounts recovered or refunded. EEXP represents the
 192 actual amount of expenses accrued by the DCEO during the previous

Program Period. EREV represents 25% of billed revenues arising from application of the Effective Component during the previous Program Period for energy efficiency that are applicable to DCEO as allowed under the Rider. The Reconciliation Adjustment RA1 Amounts represent the amounts collected or refunded during the previous reconciliation amortization period arising from the application of the RA from the Previous Program Period. The totals for EEPE, EEPR, and RA Amounts for each applicable service classification are shown on Line 15 for Residential Energy Efficiency and Line 30 for Commercial and Industrial Energy Efficiency.

- Page 7 shows the forecasted total therm deliveries for the reconciliation amortization period of September 2014 through May 2015. The total therm deliveries for S.C. No. 2 and combined S.C. Nos. 4, 5 and 7 are adjusted to exclude therm deliveries to individual customers reported by DCEO as exempt or self-directing who are not subject to Rider EOA.

Therm totals used in calculations of per-therm charges are:

Column C, Line 10 for S.C. No. 1 residential programs;
 Column F, Line 10 for S.C. No. 2 residential programs; and
 Columns F + I, Line 10 for combined S.C. Nos. 2, 4, 5 and 7
 commercial and industrial programs.

Q. How much was calculated as refundable or recoverable from S.C. No. 1 customers over the nine-month period beginning September 1, 2014, for residential energy efficiency and OBF?

216 A. \$715,505.49 was calculated as being refundable to S.C. No. 1 customers
217 (NS-PGL Ex. 1.1N, Page 2, Column D, Line 13 plus Line 27).

218 Q. Are dollar amounts refundable or recoverable broken out separately for
219 North Shore and DCEO?

220 A. Yes. Pages 2, 3 and 4 of the Statement show calculations for North
221 Shore, DCEO, and in Total.

222 Q. What is the RA component that will be effective for S.C. No. 1 beginning
223 September 1, 2014?

224 A. The RA component for S.C. No. 1 customers will be a refund of \$0.0041
225 per therm (NS-PGL Ex. 1.1N, Page 1, Column B, Line 4).

226 Q. How much was calculated as refundable or recoverable from S.C. No. 2
227 customers over the nine-month period beginning September 1, 2014, for
228 residential energy efficiency and OBF programs?

229 A. \$578,040.02 was calculated as being refundable to S.C. No. 2 customers
230 for residential energy efficiency and OBF programs (NS-PGL Ex. 1.1N, Page 3,
231 Column D, Line 13 plus Line 27).

232 Q. How much was calculated as refundable or recoverable from combined
233 S.C. Nos. 2, 4, 5 and 7 customers over the nine-month period beginning
234 September 1, 2014, for commercial and industrial energy efficiency programs?

235 A. \$937,691.69 was calculated as being refundable to these customers for
236 commercial and industrial programs (NS-PGL Ex. 1.1N, Page 4, Column D, Line
237 13).

238 Q. What is the RA component that will be effective for S.C. No. 2 beginning
239 September 1, 2014, for residential, commercial and industrial energy efficiency
240 and OBF?

241 A. The RA component for S.C. No. 2 customers will be a refund of \$0.0143
242 per therm (NS-PGL Ex. 1.1N, Page 1, Column C, Line 4).

243 Q. What is the RA component that will be effective for S.C. Nos. 4, 5 and 7
244 beginning September 1, 2014 for commercial and industrial energy efficiency?

245 A. The RA component for S.C. Nos. 4, 5 and 7 customers will be a refund of
246 \$0.0079 per therm (NS-PGL Ex. 1.1N, Page 1, Column D, Line 4).

247 Q. Please describe how the RA components will be included on customers'
248 bills.

249 A. The RA components were filed with the Commission on Information Sheet
250 No. 10 and are added to the Effective Component adjustment amounts for the
251 fourth program year and billed as a single adjustment for each service
252 classification effective September 1, 2014 .

253 **The Peoples Gas Light and Coke Company Reconciliation Statement**

254 Q. Please describe NS-PGL Ex. 1.1P.

255 A. NS-PGL Ex. 1.1P is a statement of the RA components that will apply for
256 each month of the nine-month reconciliation amortization period beginning
257 September 1, 2014, and ending May 31, 2015 ("Statement") for S.C. Nos. 1
258 through 8.

259 Q. Was the Statement prepared under your supervision and direction?

260 A. Yes, it was.

261 Q. What is the purpose of the Statement?

262 A. The Statement shows the applicable RA for customers served under
263 Peoples Gas' S.C. Nos. 1, 2, 4, 5, 7 and 8 who are not classified as exempt or
264 self-directing, for the Peoples Gas and DCEO programs. It also shows the
265 derivation of each RA component and provides supporting data.

266 Q. Why is the DCEO program relevant to your testimony?

267 A. Rider EOA is the funding mechanism for both Peoples Gas' and DCEO's
268 energy efficiency programs. Under the law, DCEO, subject to meeting certain
269 requirements, is entitled to a portion of the available funding under Rider EOA.
270 DCEO plays no role in the OBF program.

271 Q. Please describe the elements of the Statement.

272 A. In general, the Statement includes the following information:

- 273 • Page 1 shows the RA that will be billed over the nine-month reconciliation
274 amortization period beginning September 1, 2014, for each Service
275 Classification. The RA represents per-therm charges or refunds.
- 276 • Pages 2 through 4 show the determination of the RA as described under
277 Section D(2) of Rider EOA for S.C. Nos. 1 and 2 for residential programs,
278 and combined S.C. Nos. 2, 4, 5, 7 and 8 for commercial and industrial
279 programs. Column [B] for each page represents Peoples Gas
280 calculations, Column [C] represents DCEO calculations, and Column [D]
281 represents calculations combining Peoples Gas and DCEO.
- 282 • Page 2 shows the determination of the RA for S.C. No. 1

283 Lines 2 through 13 represent the calculation of the Total
284 Reconciliation Dollar amounts, including Interest, for Residential Energy
285 Efficiency. This amount, shown on Line 13, is the result of deducting EOA
286 Revenues (EREV) from EOA Expenses (EEXP), adding the RA amount
287 for the previous program year RA to be recovered or refunded (ERA2),
288 adding the applicable Interest, and adding the Factor O adjustment per the
289 Order in Docket No. 12-0602. For calendar year 2014, the applicable
290 interest rate established by the Commission is 0.0% pursuant to the order
291 in Docket No. 13-0695. Line 14 represents the dollars-per-therm RA. It is
292 derived by dividing the Total Reconciliation Dollar amount on Line 13 by
293 the Total Therm Deliveries forecasted for the nine-month reconciliation
294 amortization period (Line 3) that the RA will be in effect. An RA must
295 calculate to \$0.0001 per therm or more for Peoples Gas to include it on
296 customer bills.

297 Lines 16 through 27 represent the calculation of the Total
298 Reconciliation Dollar amounts, including Interest, for the portion of Rider
299 EOA attributable to OBF. This amount, shown on Line 27, is the result of
300 deducting EOA Revenues related to OBF (OREV) from EOA Expenses
301 related to OBF (OEXP), adding the RA related to OBF to be recovered or
302 refunded for the previous reconciliation amortization period (ORA2),
303 adding the applicable Interest, and adding the Factor O adjustment per the
304 Order in Docket No. 12-0602. Line 27 represents the dollars-per-therm
305 RA. It is derived by dividing the Total Reconciliation Dollar amount on Line

26 by the Total Therm Deliveries forecasted for the nine-month reconciliation amortization period (Line 17) that the RA will be in effect.

Similar calculations are performed for S.C. No. 2 Residential Energy Efficiency and OBF on Page 3, and Commercial and Industrial Energy Efficiency on Page 4.

- Page 5 shows the Peoples Gas program aggregation of monthly EOA Expenses (EEXP and OEXP), Revenues (EREV and OREV) and previous reconciliation amortization period Reconciliation Adjustment (ERA1 and ORA1) amounts recovered or refunded. EEXP and OEXP represent the actual amount of expenses incurred by Peoples Gas during the previous Program Period for energy efficiency and OBF, as well as expenses incurred prior to the first Program Period for program design and implementation. EREV represents 75% of billed revenues arising from application of the Effective Component during the previous Program Period for energy efficiency that are applicable to Peoples Gas as allowed under the Rider. OREV represents billed revenues for OBF. The Reconciliation Adjustment ERA1 and ORA1 amounts represent the amounts collected or refunded during the previous Program Period arising from the application of the RA from the Previous Program Period for energy efficiency and OBF. The totals for Expenses, Revenues, and RA amounts for each applicable service classification are shown on Line 15 for Residential Energy Efficiency, Line 31 for Commercial and Industrial Energy Efficiency, and Line 47 for OBF.

- Page 6 shows the DCEO program aggregation of monthly EOA Expenses (EEXP), Revenues (EREV) and Reconciliation Adjustment (RA1) Amounts recovered or refunded. EEXP represents the actual amount of expenses accrued by the DCEO during the previous Program Period. EREV represents 25% of billed revenues arising from application of the Effective Component during the previous Program Period for energy efficiency that are applicable to DCEO as allowed under the Rider. The Reconciliation Adjustment RA1 Amounts represent the amounts collected or refunded during the previous Program Period arising from the application of the RA from the Previous Program Period. The totals for EEPE, EEPR, and RA1 Amounts for each applicable service classification are shown on Line 15 for Residential Energy Efficiency and Line 30 for Commercial and Industrial Energy Efficiency.
- Page 7 shows the forecasted total therm deliveries for the reconciliation amortization period of September 2014 through May 2015. The total therm deliveries for S.C. No. 2 and combined S.C. Nos. 4, 5, 7 and 8 are adjusted to exclude therm deliveries to individual customers reported by DCEO as exempt or self-directing who are not subject to Rider EOA.

Therm totals used in calculations of per-therm charges are:

 - Column C, Line 10 for S.C. No. 1 residential programs;
 - Column F, Line 10 for S.C. No. 2 residential programs; and
 - Columns F + I, Line 10 for combined S.C. Nos. 2, 4, 5, 7 and 8 for commercial and industrial programs.

352 Q. How much was calculated as refundable or recoverable from S.C. No. 1
 353 customers over the nine-month period beginning September 1, 2014, for
 354 residential energy efficiency and OBF?

355 A. \$3,822,160.13 was calculated as being refundable to S.C. No. 1
 356 customers (NS-PGL Ex. 1.1P, Page 2, Column D, Line 13 plus Line 27).

357 Q. Are dollar amounts refundable or recoverable broken out separately for
 358 Peoples Gas and DCEO?

359 A. Yes. Pages 2, 3 and 4 of the Statement show calculations for Peoples
 360 Gas, DCEO, and in Total.

361 Q. What is the RA component that will be effective for S.C. No. 1 beginning
 362 September 1, 2014?

363 A. The RA component for S.C. No. 1 customers will be a refund of \$0.0057
 364 per therm (NS-PGL Ex. 1.1P, Page 1, Column B, Line 4).

365 Q. How much was calculated as refundable or recoverable from S.C. No. 2
 366 customers over the nine-month period beginning September 1, 2014, for
 367 residential energy efficiency and OBF programs?

368 A. \$4,120,692.67 was calculated as being recoverable from these customers
 369 for residential energy efficiency and OBF programs (NS-PGL Ex. 1.1P, Page 3,
 370 Column D, Line 13 plus Line 27).

371 Q. How much was calculated as refundable or recoverable from combined
 372 S.C. Nos. 2, 4, 5, 7 and 8 customers over the nine-month period beginning
 373 September 1, 2014, for commercial and industrial energy efficiency programs?

374 A. \$17,945,074.11 was calculated as being refundable to these customers for
375 commercial and industrial programs (NS-PGL Ex. 1.1P, Page 4, Column D, Line
376 13).

377 Q. What is the RA component that will be effective for S.C. No. 2 beginning
378 September 1, 2014, for residential, commercial and industrial energy efficiency
379 and OBF?

380 A. The RA component for S.C. No. 2 customers will be a refund of \$0.0145
381 per therm (NS-PGL Ex. 1.1P, Page 1, Column C, Line 4).

382 Q. What is the RA component that will be effective for S.C. Nos. 4, 5, 7 and 8
383 beginning September 1, 2013, for commercial and industrial energy efficiency?

384 A. The RA component for S.C. Nos. 4, 5, 7 and 8 customers will be a refund
385 of \$0.0209 per therm (NS-PGL Ex. 1.1P, Page 1, Column D, Line 4).

386 Q. Please describe how the RA components will be included on customers'
387 bills.

388 A. The RA components were filed with the Commission on Information Sheet
389 No. 9 and are added to the Effective Component adjustment amounts for the
390 fourth program year and billed as a single adjustment for each service
391 classification effective September 1, 2014 .

392 Q. Does this conclude your direct testimony?

393 A. Yes, it does.